



State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

IDAHO BOARD OF TAX APPEALS

FY 2007, 2008, AND 2009

Report IC35109
Date Issued: October 5, 2010

Serving Idaho's Citizen Legislature



Idaho Legislative Services Office
Legislative Audits Division

IDAHO BOARD OF TAX APPEALS

Don H. Berg, CGFM, Manager

SUMMARY

PURPOSE OF MANAGEMENT REVIEW

We conducted a management review of the Idaho Board of Tax Appeals covering the fiscal years ended June 30, 2007, 2008, 2009. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

CONCLUSION

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Board. However, our reviews of the property tax appeal process identified a weakness in meeting the statutory May 1 deadline.

FINDING AND RECOMMENDATION

This report contains one finding and recommendation.

1. Statutory due dates for hearings and decisions were not met in 2010.

AGENCY RESPONSE

The Board has reviewed this report and is in general agreement with its contents. The Board's complete response to the finding is on page 1.

FINANCIAL INFORMATION

The following financial data is for informational purposes only.

IDAHO BOARD OF TAX APPEALS – FISCAL YEAR 2009

<u>Fund</u>	<u>Beginning Appropriations</u>	<u>Less Disbursements</u>	<u>Reversion</u>
General Fund 0001	<u>\$570,700</u>	<u>\$533,479</u>	<u>\$37,221</u>
Total	<u>\$570,700</u>	<u>\$533,479</u>	<u>\$37,221</u>

OTHER INFORMATION

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Board of Tax Appeals and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Susan Renfro, and her staff.

ASSIGNED STAFF

Chris Farnsworth, CPA, Managing Auditor

Mark Schoenfeld, Staff Auditor

TABLE OF CONTENTS

Finding and Recommendation..... 1

Agency Response 2

Appendix 3

FINDINGS AND RECOMMENDATIONS

FINDING 1

Statutory due dates for hearings and decisions were not met in 2010.

Idaho Code, Section 63-3809 (4) requires that property tax appeal hearings and decisions be completed by May 1 of each year. For 2010, we noted that 305 of the total 994 appeals filed were not completed as required.

The primary reason for not meeting the statutory due date is a reduction in funding and increases in workload. The Board is funded entirely from the General Fund, and a 25% reduction in appropriations over the past two years has required the Board to reduce the use of contract services and leave one of their six authorized positions vacant. As a result, delays in resolving appeals could adversely affect the budget setting process of the counties and other taxing districts that rely on the decisions of the Board.

RECOMMENDATION

We recommend that the Board comply with the May 1 statutory due dates for hearings and decisions on property tax appeals.

AGENCY'S RESPONSE AND CORRECTIVE ACTION PLAN

The erosion of the real estate market has increased the number of property tax appeals over the past four years, FY 2007 through FY 2010, from an average of 300 to between 800 and 1,142.

The increase has been funded with yearly supplemental appropriations, temporary professional employees, and two additional full time positions in FY 2010. Furloughs, together with a reduction in operating funds and the loss of the position, left the Agency understaffed, underfunded, and unable to complete the appeal caseload by the statutory May 1 decision deadline.

The Agency has revamped all office procedures, curtailed certified mailing costs, and delayed supply purchases. There is simply not sufficient revenue to process, hear, and issue decisions on the increased caseload as required by statute.

The Board has been working with the Governor's office to recommend additional funding, at least until such time as the caseload stabilizes.

AGENCY RESPONSE



STATE OF IDAHO

(208) 334-3354
FAX 334-4060

BOARD OF TAX APPEALS

Office Address: Suite 110
3380 American Terrace
Boise, Idaho 83706
Mailing Address: P.O. Box 83720
Boise, Idaho 83720-0088

August 30, 2010

Legislative Services Office
Legislative Audits Division
PO Box 83720
Boise, ID 83720-0054

Attn: Don Berg

The Board has read and reviewed the Individual Entity Audit Report draft submitted to the State Board of Tax Appeals by the Legislative Services Office covering the fiscal years 2007, 2008 and 2009.

We agree with the report and contents. We would also like to extend our thanks to the Legislative Services Office, Chris Farnsworth and the auditor, Mark Schoenfeld for their time.

Sincerely,

A handwritten signature in cursive script that reads "Susan Renfro".

Susan Renfro
Director, Board of Tax Appeals

APPENDIX

HISTORY

The Board of Tax Appeals was established in 1969 under the Department of Revenue and Taxation, but is not subject to the supervision or control of the State Tax Commission. The Board provides an informal forum for taxpayers to appeal property tax assessment decisions or State Tax Commission determinations.

PURPOSE

The Board was created to hear appeals from decisions of the State Tax Commission and county boards of equalization. The Board has jurisdiction over tax appeals including: income tax, sales tax, inheritance and fuel taxes, real and personal property assessments, and tax exemptions. Property valuations made on a statewide basis are not under the jurisdiction of the Board.

Informal tax appeal hearings are held before one Board member or a hearing officer. Hearings are usually conducted at county seats of government, but may be held at other places if it is more convenient for the parties involved. The decisions rendered on all appeals must be signed by two Board members. Decisions may then be appealed to district courts.

STATUTORY AUTHORITY

Idaho Code, Title 63, Chapter 38 outlines the duties and responsibilities for the Board. Idaho Code, Section 63-3801 established the Board of Tax Appeals. Idaho Code, Section 63-3802 provides that Board members must be residents of the State and must be selected on the basis of their knowledge of and experience in taxation. Members may not hold any elected or public office involving assessment of taxes or administration of any State tax laws. Members cannot participate, directly or indirectly, in any election campaign on behalf of any political party or organization or candidate, or any measure voted upon by the people.

ORGANIZATION

The Board consists of three part-time members appointed by the Governor with the advice and consent of the Senate. The Board members are appointed for staggered three-year terms.

Board members are supported by a director, a hearing officer, two tax policy specialists, and a legal assistant.

FUNDING

The Board of Tax Appeals is funded entirely by General Fund appropriations.

IDAHO STATE BOARD OF TAX APPEALS

ORGANIZATIONAL CHART

